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MILTON BRICK CO. LIMITED

30TH
ANNUAL
REPORT
1967

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MILTON BRICK CO. LIMITED

To Our Shareholders

Once again your board is pleased to be able to report that the net profits of MILTON BRICK CO. LIMITED and its subsidiaries — THE MILTON GROUP — have attained an all-time high. The consolidated report shows net earnings, after depreciation and taxes for the year ended December 31st, 1967 to be \$343,351 or 63¢ per share, against 1966 at \$216,631 or 40¢ per share. Our subsidiaries are happy to share the credit for this outstanding showing.

It should be pointed out that part of the increase in earnings occurred as a result of a profit made on the sale of some of your company's real estate holdings. This non-recurring portion of the profits amounted to \$92,400, which is the equivalent of 17¢ a share. In making allowance for this item, one notes that normal operating profits were satisfactorily ahead of the previous year.

The year-end balance sheet shows further improvement in our working capital to \$996,044.

The quarterly dividend rate was again increased during the past year. Dividends are now being paid at the annual rate of 26¢ per share. It may be reported that your board is giving consideration to a further increase in the dividend rate later this year.

MILTON BRICK CO. LIMITED

This company has operated throughout the year at full capacity. The implementing of the program to improve plant capacity promises continued progress. There is a hardening demand for your companies' products, and through improved production methods, we are meeting this demand promptly and profitably.

GLOBAL MARBLE OF CANADA LTD.

The operations of the marble subsidiary continue to expand, but admittedly at a slower rate than had been anticipated when it was formed. This means that further scope for improvement in this company is foreseen, which, when realized, will prove a source of added profits for your group.

TRANSMIL PROPERTIES CORP. LIMITED

As previously reported to you it is the policy of the board to diversify the group's activities by acquiring control of additional companies. It was decided some eighteen months ago to embark on a policy of buying whenever available on the open market, shares of Flemdon Limited. This company's principal asset consists of a half interest in Central Park Estates Limited, which in turn owns some 212 acres in Flemington Park in the geographic centre of Metropolitan Toronto, at the junction of Eglinton Avenue and the Don Valley Parkway. While we were still engaged in the buying of these shares, the former management of Flemdon Limited received an offer amounting to \$1,000,000 for all the assets of that company. They seemed prepared to accept the offer so as to be in a position to wind up the affairs of Flemdon by distributing approximately \$1.05 per share to all shareholders. Such a distribution would have resulted in your company earning an interesting and early profit on its investment. However, as the Transmil board was quite convinced that the assets of Flemdon were worth more than \$1,000,000, it prevailed upon the former management to refuse the offer, by pointing out that it had, by then, become the largest shareholder in the company and was in a position to block the proposed sale at such a price. Subsequently, at the annual meeting of Flemdon, which took place on February 26th, 1968, Transmil, having by then acquired some 42% of the shares of Flemdon, was able to take over control of the affairs of the company by electing a new board of directors. By this time though, a new offer (from the same source) for Flemdon's assets had been made of \$1,500,000, thereby fully justifying Transmil's previous decision. This would have enabled a distribution to be made to the shareholders of Flemdon of \$1.64 per share. As it is the view of the new board that Flemdon's assets are worth considerably in excess of even this higher offer, it is reasonable to report to you that Transmil's investment in the shares of Flemdon Limited will prove to be profitable in a rather satisfying degree, especially in view of the strong demand for real estate in Metropolitan Toronto.

GENERAL REMARKS

The pertinent financial facts and figures are covered in the following report, but in this letter, we have highlighted a few of the year's accomplishments, and would like to acquaint you with our philosophy and thinking and the long range planning of your management.

MILTON BRICK CO. LIMITED and its predecessor have been in business since 1878. The present management has been in charge for the last five years. During this time administrative and managerial personnel have been greatly strengthened as younger executives and technicians have joined the company, enabling the group of companies:

1 — To maintain and enhance the strong financial position of your company;

2 — To constantly improve the high level and quality of our products;

3 — To consider acquiring additional well established related product lines, to increase our volume and ensuing profits; and to originate and market new products through our newly organized engineering and research programs.

Our strong financial position, with no long-term debt, no preferred stock, places us in a most favourable position to negotiate acquisitions.

It is with the expression of much appreciation to our employees, shareholders, customers and associates for their help and cooperation that we present this annual report of progress at MILTON BRICK for the past year.

On behalf of the Board of Directors
J. T. BLUME, Chairman

Offices and Plants: Toronto and Milton, Ontario,
September 19th, 1968.

Listing — Toronto Stock Exchange

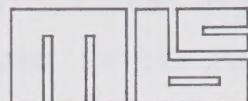
Transfer Agent — Canada Permanent Trust Co.

Bankers — Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank

Directors

J. T. Blume	Joseph Pope
J. N. Berman	C. W. Rogers
A. Gobert	A. Serota

Milton Brick Co. Limited and Subsidiaries



CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS for the year ended December 31, 1967 with comparative figures for 1966

	<u>1967</u>	<u>1966</u>
Operating profit before depreciation	<u>\$ 356,697</u>	<u>\$ 292,275</u>
Less: Depreciation	<u>25,043</u>	<u>12,223</u>
Prior period adjustments	<u>2,441</u>	<u>—</u>
	<u>27,484</u>	<u>12,223</u>
Earnings from operations	<u>329,213</u>	<u>280,052</u>
Other income:		
Interest and dividends	<u>18,993</u>	<u>20,394</u>
Royalties — net	<u>61,696</u>	<u>59,494</u>
Gain on sale of land	<u>92,400</u>	<u>—</u>
Gain on sale of investments	<u>5,670</u>	<u>—</u>
Miscellaneous	<u>1,344</u>	<u>2,134</u>
Prior period adjustment	<u>—</u>	<u>25,223</u>
	<u>180,103</u>	<u>107,245</u>
Earnings before income taxes	<u>509,316</u>	<u>387,297</u>
Income taxes (note 2)	<u>165,965</u>	<u>170,666</u>
	<u>343,351</u>	<u>216,631</u>
Net earnings for the year	<u>826,320</u>	<u>742,356</u>
Retained earnings at beginning of year	<u>1,169,671</u>	<u>958,987</u>
Dividends paid	<u>138,140</u>	<u>132,667</u>
	<u>1,031,531</u>	<u>\$ 826,320</u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS for the year ended December 31, 1967 with comparative figures for 1966

	<u>1967</u>	<u>1966</u>
Source of funds:		
Net earnings for the year	<u>\$ 343,351</u>	<u>\$ 216,631</u>
Charge not requiring cash outlay —		
Depreciation	<u>25,043</u>	<u>12,223</u>
	<u>368,394</u>	<u>228,854</u>
Gain on sale of assets	<u>145,231</u>	<u>492</u>
	<u>223,163</u>	<u>228,362</u>
Proceeds from sale of land	<u>50,000</u>	<u>2,621</u>
Proceeds from sale of equipment	<u>4,083</u>	<u>2,685</u>
Proceeds from repayment of mortgage	<u>—</u>	<u>40,000</u>
	<u>277,246</u>	<u>273,668</u>
Use of funds:		
Purchase of fixed assets (additions to Property, Plant and Equipment)	<u>69,873</u>	<u>44,534</u>
Payment of 5% refundable tax	<u>2,739</u>	<u>6,255</u>
Advances to subsidiary	<u>532</u>	<u>12,950</u>
Dividends paid	<u>138,140</u>	<u>132,667</u>
	<u>211,284</u>	<u>196,406</u>
Increase in working capital	<u>65,962</u>	<u>77,262</u>
Working capital — beginning of year	<u>930,082</u>	<u>852,820</u>
Working capital — end of year	<u>996,044</u>	<u>930,082</u>



Milton Brick Co. Ltd.

GLOBAL MARBLE OF CANADA LTD. — TRANSMIL LTD.

Consolidated

December 31, 1967 with

ASSETS	<u>1967</u>	<u>1966</u>
Current assets:		
Cash and short term deposits	\$ 184,142	\$ 245,195
Marketable securities — at cost: (quoted value: 1967, \$503,888 — 1966, \$309,857)	507,944	381,011
Accounts receivable	212,924	213,275
Inventories — at lower of cost or net realizable value	225,422	184,553
Prepaid expenses	13,434	29,406
Total current assets	1,143,866	1,053,440
5% special refundable tax	8,994	6,255
Investments:		
Investment in subsidiary company not consolidated (note 1)		
Shares — at cost	7,800	7,800
Advances	5,682	5,150
	<u>13,482</u>	12,950
7% mortgage receivable — due September 30, 1972	101,399	—
Total investments	114,881	12,950
Property, plant, trucks, trailers and equipment at cost less depreciation and depletion:		
Land	139,432	146,000
Buildings	1,020,872	1,005,150
Machinery, trucks, trailers and equipment	774,813	743,453
	<u>1,935,117</u>	1,894,603
Less: Accumulated depreciation and depletion	1,381,096	1,375,161
Net property, plant, trucks, trailers and equipment (note 6)	554,021	519,442
Other assets:		
P.C.V. Licences — at cost less amounts written off	30,212	30,212
	<u>\$1,851,974</u>	\$1,622,299

AUDITORS' REPORT

We have examined the consolidated balance sheet of Milton Brick Co. Limited and its subsidiary companies, the Global Marble of Canada Ltd. and Transmil Ltd., and the earnings and source and use of funds for the year then ended. Our examination included supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the consolidated financial position of the company and its subsidiary companies as at December 31, 1967, and the earnings and source and use of funds for the year then ended, in accordance with generally accepted accounting principles.

Hamilton, Ontario,
March 5, 1968

ted and Subsidiaries

ERTIES CORP., LTD. — REGAL TRANSPORT LIMITED

alance Sheet

parative figures for 1966



LIABILITIES

	<u>1967</u>	<u>1966</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 86,163	\$ 41,780
Income and other taxes payable (note 2)	61,659	81,578
Total current liabilities	147,822	123,358

SHAREHOLDERS' EQUITY

Capital stock:

Authorized		
1,000,000 Common shares of no par value (notes 3 and 4)		
Issued and fully paid		
547,080 Common shares	672,621	672,621
Retained earnings	1,031,531	826,320
Total shareholders' equity	1,704,152	1,498,941

Notes:

- Principles of consolidation**
The consolidated financial statements include the accounts of all subsidiary companies with the exception of one. This subsidiary has not commenced operations, and consequently its accounts have not been consolidated nor has any income been included, nor provision for losses made in the accounts of the parent company.
- Deferred income taxes**
Income taxes payable in respect of the year have been reduced by claiming allowances for tax purposes in excess of those recorded in the accounts. This reduction of \$124,687, of which \$30,187 is in respect of the current year, is applicable to those future periods in which the amounts claimed for tax purposes will be less than the allowances recorded in the accounts.
- Capital stock**
During the year Milton Brick Co. Limited applied for and was granted Supplementary Letters Patent, increasing the authorized capital of the company by the creation of an additional 450,000 common shares of no par value.
- Event subsequent to the year end**
Subsequent to the year end, an officer of the company was granted an option to purchase 25,000 newly authorized but unissued common shares at a price of \$4.10 per share.
The period for exercising the option is five years commencing Feb. 12, 1968.
- Remuneration paid to directors and officers**
Directors' and officers' remuneration amounted to \$1,000 for 1967 and \$1,200 for 1966. (Note #6 continued on next page)

Approved on behalf of the Board:

J. T. BLUME, Director.
JOSEPH POPE, Director.

<u>\$1,851,974</u>	<u>\$1,622,299</u>
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HE SHAREHOLDERS

subsidiaries as at December 31, 1967 and the consolidated statements of earnings, retained earnings and cash flows have been prepared after a general review of the accounting procedures and such tests of accounting records and other

financial position of the companies as at December 31, 1967 and the consolidated results are in accordance with generally accepted accounting principles applied on a basis consistent with that of the

FINANCIAL HIGHLIGHTS OF THE LAST 5 YEARS

Capital Position:	1967	1966	1965	1964	1963
Total current assets	\$1,143,866	\$1,053,440	\$ 999,912	\$ 840,166	\$1,420,661
Total current liabilities ..	147,822	123,358	147,471	187,606	681,339
Net working capital	996,044	930,082	852,441	652,560	739,322
Ratio of current assets to current liabilities ..	7.74	8.54	6.78	4.48	2.09
Other investment assets ..	145,093	43,162	83,162	30,212	30,212
Profit before income taxes	509,316	387,297	319,981	277,267	114,581
Income taxes	165,965	170,666	134,500	105,838	28,100
Net profit	343,351	216,631	185,481	171,429	86,481
Earnings per share63	.40	.34	.31	.16
Dividends per share25^{1/4}	.24 ^{1/4}	.20	.20	.12 ^{1/2}
Earnings transferred to retained earnings	205,211	83,964	130,773	62,013	(37,269)

Notes—continued:

6. Fixed assets

Land, buildings, machinery and equipment and related accumulated depreciation and depletion are classified as follows:

7. The Chief Justice of Ontario, on October 2nd, 1968, authorized the omission of the amount of sales and gross revenue derived from operations, from the financial statement of MILTON BRICK CO. LIMITED and subsidiary companies — to be laid before the next annual meeting of shareholders. The gross sales increased by .9% over the previous year, and by 13.2% over the average of the previous 5 years.

	Cost \$	Accumulated Depreciation and Depletion \$	Net \$
Land	139,432	125,071	14,361
Buildings	1,020,872	770,139	250,733
Machinery and equipment	646,292	394,558	251,734
Trucks and tractors	128,521	91,328	37,193
	1,935,117	1,381,096	554,021

Many people in the business community have expressed an interest in knowing more about our company.

In response, we submit a copy of our annual report which we hope may be of interest to you.

We will be pleased to supply you with additional copies on request.